

State Warehouse System; Its Workings and Growth

Details of Its Effective Plan of Operation Briefly Sketched—How the Warehouses are Leased and the Insurance Carried—Something of the Efforts of Senator McLaurin, The Author of the Act and the Commissioner Who Established the System—The Cotton Problem Discussed by Senator McLaurin.

(By Jno. K. Aull.)

Since the invention of the gin, the social, economic and political fabric of the South has been woven of cotton, and its place is large in the affairs of nations. When Henry W. Grady, in his beautiful tribute to the "royal plant," said that "the trespass of a little worm upon its green leaf means more to England and to English homes than the advance of a Russian army would upon her Asian frontier," little did he dream that only a few years after his death England and Russia would be allies in a world-war which has embraced nearly all the states across the waters; but this great struggle of the nations has emphasized the kingly importance of the staple whose praises he sang, for it has demonstrated that cotton, as State Warehouse Commissioner McLaurin has pointed out, is an international political as well as an economic issue.

It was the foundation of ante-bellum civilization in the South; upon it the institution of slavery rested; in the issues which developed out of its growth and marketing grew the issues which joined the North and the South in a death struggle from '61 to '65; upon it, in the half century which has passed since Appomattox, the structure of the New South has been reared.

And yet, even with a monopoly in the production of a crop of such vital importance to almost the entire world, the growers of cotton, unorganized and scattered over a fourth of the United States, have never yet been in position to demand a fair and just price for their commodity, even though the world must have it. Some years they have received good prices; some years, with a bountiful crop passing through their hands, they have faced actual want. The law of supply and demand has been suspended, so far as they were concerned, and large fluctuations in the price of cotton have been caused and governed by powers entirely foreign to their interests.

That such a condition should have existed during the years up to the present would seem incredible, if the evidence were not before our eyes. We are living in the midst of this condition, and it has been with us so long that it had almost come to be taken as a matter of course.

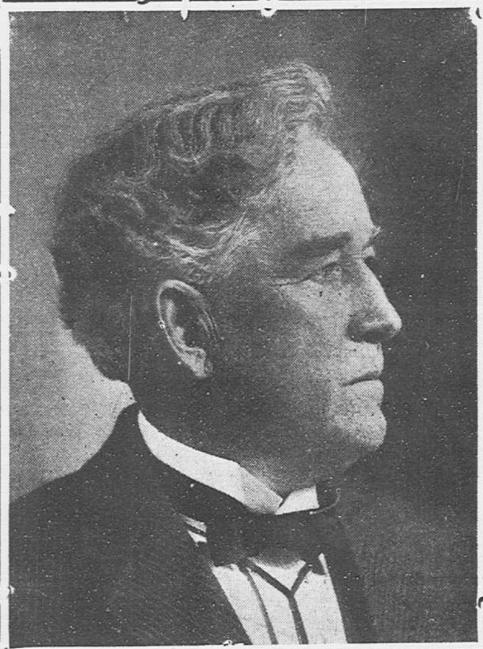
Men of ability have studied the situation, and various remedies have been suggested, and many of them have been tried. Farmers' organizations, local, state and national, has been attempted, but without relief, and most of these organizations have been short lived. Various measures regulating the exchanges have been proposed in congress, and some of them have become laws, but they have not reached the growers of cotton—the men whose toil furnishes the staple clothing of the world.

The Author of the Warehouse Law.

When the assassination of a prince of Austria and his consort plunged the nations of Europe into war, the South stood face to face with commercial disaster. With a 16,000,000-bale crop on hand, cotton went down far below the cost of production. Financial crashes came; a period of despondency and demoralization ensued; and a panic engulfing the cotton states seemed imminent. Several of the Southern governors called special sessions of their legislatures to deal with the situation, and among these was Governor Bleasdale of South Carolina. In the state senate Marlboro county, in many respects the leading cotton county of the South, was represented by Senator John Lowndes McLaurin—a man long prominently identified with the affairs of the state and of the nation. He was attorney general of the state back in the early nineties, when Tillman was governor; he went out of national house of representatives, the attorney general's office into the where his ability was soon recognized and he was made a member of the ways and means committee of the house; upon the death of the lamented Senator Joseph H. Earle he was appointed United States senator from South Carolina, and was elected to succeed himself by an overwhelming majority; in the United States senate his constructive mind lead him forward into the advocacy of measures which, with what now appears to be prophetic vision, he foresaw the nation must espouse to conserve her power for good in the affairs of the world. His party, however, had not yet seen the light, and his larger vision had led to an estrangement between him and some of its leaders, and particularly his colleague from South Carolina, who was at that time the dominant figure in state politics. His retirement from national political life followed, and he had gone back to his Marlboro home to see the very measures for the advocacy of which his colleagues had attempted to read him out of the Democratic party become the principal administration planks in the congressional propaganda of the only Southern president the Democratic party has elected since the War Between the States. Re-entering public life, he came to the state legislature as the senator from Marlboro—principally to urge a solution which he had worked out to relieve the cotton growers of the South and to place them in position to demand of the

world which they served a fair return for the labor of their hands and the product of their soil.

For years past he has been a close student of the economic as well as the political needs of the south, and he had evolved the plan of state warehouse systems for the various Southern states, which could be conducted independently by the respective states, but which could accomplish larger and quicker and surer results by co-operation. He had advocated this system at the great cotton growers' convention in New Orleans several years ago, and in South Carolina he had succeeded in having a law passed, but



JOHN L. MCLAURIN, STATE WAREHOUSE COMMISSIONER.

which had been declared unconstitutional by the court, with the opinion of the court, however, that the underlying principle involved was not violative either of the spirit or the letter of the constitution.

The Act Passed.

With this long preparation and with this close study, made possible by ability combined with opportunities which comparatively few men have had presented to them, he came to the extra session of the general assembly of 1914, and began the fight for the state warehouse act which was passed and was approved by Governor Bleasdale on October 30 of that year.

The act created the state system for which he had labored; it gave the state warehouse commissioner ample latitude for the inauguration of a system correct in principle and beautiful in practice; but it provided only fifteen thousand dollars for the establishment of a system to give relief in the handling of a crop upon which the prosperity of the state is based, upon which its business life depends, and the value of which annually runs way up into the millions of dollars.

Immediately upon the approval of the act the general assembly elected Senator McLaurin state warehouse commissioner on the first ballot without his being a candidate for the position, and he was face to face with the problem of establishing a great system upon this fifteen thousand dollar appropriation, more than twelve thousand dollars of which was converted back into the state treasury at the end of the year by Comptroller General Jones, leaving the commissioner without a dollar from the first of January until the first of March of this year, when an appropriation of fifteen thousand dollars for the year 1915 became available.

Warehouses could not be erected, and they could not be leased at any substantial rental. In the list of the appropriation, the thought of a compass became as fantastic as the wildest dream of one in troubled sleep whose mind has been severely overtaxed.

Today, however, there are about one hundred and fifty warehouses in the state system, with an aggregate capacity of from two to three hundred thousand bales; an immense quantity of cotton is being handled this season, and the system continues to grow so rapidly as to be a continual source of wonder and surprise even to those who hoped large things for it. How was it done? It is simple in the telling—far simpler than in the evolution of the general plan, the intricate details, and the defensive battle against interests which have been preying upon the growers of cotton.

Here it is: The System in Operation.

The state leases a warehouse at a nominal rental—one dollar per year. Manager, weigher and grader for that warehouse are appointed by the commissioner upon the recommendation of the owner or those interested in the state. These officials give bond to the state. Generally the three positions are combined in one person, which centers the responsibility and saves expense.

The state furnishes to the various

houses, which are denominated by numbers, from one on up, uniform blanks, tags, report blanks, etc. Each day that cotton is taken in or delivered, the manager makes report of the transactions to the office of the commissioner, where a record is kept of each bale of cotton on storage, with its marks, weight and grade, and to whom receipt has been issued for it.

The state charges the local warehouses three cents per bale per month, which is more than offset in the following manner:

The state receipt has proved its superiority as a collateral in the money centers of the country. Each receipt is signed by the manager of the local warehouse; and by the state warehouse commissioner, and bears the seal of the state. It carries absolute title to the cotton, thus removing the cloud of possible liens and mortgages, and it guarantees the weights and grades in favor of the purchaser or the pledgee. It also certifies that the cotton is insured to its full market value. In establishing the character of the receipt, Senator McLaurin went to Washington and to New York, and presented it personally to the federal reserve board and to the New York bankers. He first saw Mr. Harding of the federal reserve board, who characterized the system as "a model of its kind," saying that in his opinion it was "in advance of anything that has been attempted in other Southern states," and who last February, in an

place it under the automatic policies until its present policies expire. The Pomaria and Little Mountain warehouses each deposit with the state warehouse commissioner a sum which is credited to their insurance account. Let us take the Pomaria house as an example. An estimate is made of the probable business for several months in advance. The Pomaria house deposits a sufficient sum with the commissioner to carry its insurance premiums for several months. Each day the amount of cotton it has on hand is recorded in the office of the commissioner, and its value is figured on the market price of the cotton that day. At the end of the month a check for the Pomaria house is given to the insurance companies, covering the premium earned each day by the actual amount of cotton on hand that day, at the market price that day. If Pomaria has 100 bales of cotton today, and cotton is worth sixty dollars, it pays today on \$6,000 worth of cotton. If it has only fifty bales tomorrow, and cotton is worth only fifty dollars a bale tomorrow, it pays tomorrow only \$2,500 worth of cotton. The insurance automatically attaches to the cotton as soon as it is placed in the warehouse.

Of course there has been a bitter fight by certain insurance interests against the system, because it has cut out a portion of the rich harvest they have been reaping at the expense of the producers of cotton. They have attacked the system, and particularly its insurance, at every possible point. The system has grown in the face of this fight because it is inherently right in principle, and because it has been honestly and conscientiously administered by the commissioner and his associates. This insurance is placed in high-class and reputable companies, licensed to do business in South Carolina, and operating under the laws of this state. Only one loss has been sustained since the system began operation, twenty bales of cotton in the state system having been destroyed by fire at Claremont, in Sumter county, several days ago. This loss was promptly taken up for adjustment by the companies, the basis of settlement being the market price of cotton the day of the fire, each bale destroyed being figured at its actual market value that day, the weight and grade of each individual bale standing for itself. The state insurance commissioner, in a letter to a banker at Sumter, says of the companies carrying the insurance on this cotton:

The System Commended.

"I have no hesitation in saying that the companies issuing these policies and the others in which Mr. White tells me he is placing insurance are among the very best companies licensed in this state. In my opinion no one need have any fear as to the reliability of the companies or the security of their insurance under the policies issued by the companies named to me by Mr. White." (Mr. White is deputy state warehouse commissioner.)

Of course cotton is grown to sell,

and not to warehouse, and the warehousing of cotton is only a means to an end. Under the amendment of 1915, the commissioner is authorized to make sales direct, but the war raging in Europe and on the seas has interfered so far with this spirit of the commissioner's activities authorized under the act.

As is stated by Commissioner McLaurin in the interview below a state warehouse system is only a good beginning in a system of rural credits which must come if this nation is to be saved from commercial upheaval. These movements progress slowly, but human progress is sure, and the progression, under the divine plan, must go forward, even though to finite minds, in periods of upheaval such as the present, it sometimes seems that the order has been reversed.

The state warehouse system in South Carolina portends the coming of the cotton growers into their own. President Wilson has expressed his "genuine interest" in the work of Senator McLaurin; Secretary of the Treasury McAdoo has congratulated him upon the result of his efforts, and leading bankers of the United States have unhesitatingly commended the system and the receipt. Other states may be slow in following, but the movement is growing, and the principle is bound to be adopted. The heritage of which Grady spoke, when adequate means of marketing and financing this great crop are secured, and the cotton grower of the South gets a just return for his labor will be a heritage indeed—this heritage that is "ours and our children's forever and forever—and no princelier talent ever came from His Omnipotent hands to mortal stewardship."

Senator McLaurin's assistants in his office in Columbia are Mr. Jas. G. L. White of Chester, deputy commissioner; Mr. James A. Drake of Bennettsville, inspector; Mr. Jno. K. Aull of Newberry, secretary, and Mr. J. Harold White of the insurance department of the office.

In speaking of the principles and general scope and aims of the state system, Senator McLaurin, when asked for a statement for the anniversary edition of The Herald and News, said: "Senator McLaurin's Views."

"For the second time in the history of the United States, cotton has been a political as well as an economic issue of paramount importance. The fundamental cause of the War Between the States in the sixties was the fact that public sentiment outside of the South was in favor of the abolition of slavery, and the election of Abraham Lincoln was the expression of that sentiment. Opinion in the South was almost unanimous that the monopoly which we enjoyed in the production of cotton could not be maintained without slave labor. Therefore, secession was a perfectly natural consequence.

"With the breaking out of hostilities in Europe, cotton at once became a national question. Every thoughtful man in the South was convinced that it was the duty of both state and national government to take radical

action in sustaining the price of cotton until the export demand revived. I go further than that; I believe that it is the duty of the government in normal times, by legislation, to stabilize the price of cotton and enable the producer to get the benefit of the operations of the law of supply and demand, I mean supply and demand for money as well as for cotton. The South has reached the point where the average production of cotton is about fifteen million bales, which, with the by-products from cotton seed, is worth about one billion dollars. A little more than one-third of this cotton is consumed in the United States, and the balance is exported. The price of the product consumed at home is fixed by the price of that which is exported.

"Out of our two and one-half to three billion bushels of corn only about seventeen per cent ever leaves the farm; the balance of it is consumed at home. No crop on earth creates such vast international commerce as cotton, and for that reason it has become, to a large extent, the medium of exchange between this country and the balance of the world, taking the place of gold in the settlement of international trade balances. Cotton is in a class by itself, and possesses more of the attributes of legal tender currency than anything produced by human labor. It is the corner stone of international finance, and can not be compared to wheat, corn, meat, or anything of that sort. It is distinctly an export crop, and properly baled and warehoused, it is imperishable and always convertible into gold at a moment's notice.

"I believe that the state warehouse idea is the beginning of a movement which will revolutionize the marketing of our cotton crop and inaugurate a prosperity on the South which will be lasting because founded upon correct business principles. It will pave the way to a system of rural credits based upon land which will unlock vast capital now lying idle and almost useless. If the product of our land, cotton, can be transformed into a fluid asset, why can't the same thing be done for land, the basis of all wealth? Our state warehouse receipts are negotiable instruments which are now passing current in the money centers just like bonds and stocks. Of course we have made but a bare beginning, and need further legislation both state and national.

"The great lesson which this world-wide war is to teach, is that our civilization has reached the point of complex social and commercial life without political machinery to give it expression. The purely selfish appropriation of the comforts and blessings of material life for the use of favored classes is the rock upon which these nations have founded. If the United States would be spared the social, political and industrial upheaval that Europe will see at the close of this war our best thought should be how to use our land and its product.

(Continued to Page 30.)

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